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SUBJECT: NDU DELEGATION MEETS WITH CHIEF OF GENERAL STAFF  
LIANG GUANGLIE

Classified By: Political Internal Unit Chief Kin Moy.  
Reasons 1.4 (b,d).

#### Summary

¶1. (C) Chief of the PLA General Staff Liang Guanglie advocated increased bilateral mil-to-mil exchanges, called Chen Shui-bian's cessation of the NUC and NUG a "dangerous step" and gave a general explanation for China's increased military spending in his April 11 meeting with a delegation from the National Defense University. He cited salary increases, training needs, increased fuel prices and the need to modernize information technology as reasons for increases in military budgets. NDU President General Michael Dunn noted that outside suspicions of China's intentions with regard to its fifteen straight years of double-digit defense budget increases can only be allayed by increased transparency. End summary.

#### Mil-to-mil Exchanges

¶2. (C) Chief of the PLA General Staff Liang Guanglie assessed that U.S.-China relations have achieved good momentum in an April 11 meeting with a delegation from the U.S. National Defense University led by General Michael Dunn. Liang pointed to frequent high-level visits, including Hu Jintao's planned April 20 visit to Washington, as having great significance in furthering cooperation between the two countries. Central Military Commission Vice Chairman Guo Boxiong will visit Washington this year at the invitation of Secretary Rumsfeld and Liang expressed hope that the bilateral military-to-military relationship would progress in parallel with overall bilateral ties. Liang cited interest in deepening exchanges in policy studies, ship visits, humanitarian relief efforts, non-traditional security threats and military law.

¶3. (C) General Dunn outlined U.S. hopes for closer ties between the two NDUs, particularly increased exchanges of researchers and use of videoconferences. He advocated pursuing joint simulations on emerging issues to gain insights on how the two countries might interact in a situation where common interests are at stake. General Dunn noted the importance of increased transparency in China's military modernization to allaying outside suspicions about a potential Chinese threat.

#### Taiwan

¶4. (C) On Taiwan, Liang criticized Chen Shui-bian's recent move to cease the function of the National Unification Council and cease the application of National Unification Guidelines calling it a "dangerous step toward Taiwan independence." Chen Shui-bian has been promoting incremental movement toward Taiwan independence since taking office and is the main source of problems for peace and stability across the Strait, Liang asserted. Beijing appreciates the U.S. commitment to observe the three

Sino-U.S. Joint Communiques and President Bush's "opposition" to Taiwan independence. At the same time, Beijing hopes that the United States will not send any "wrong signals" to Taiwan and will work together with China to stop Taiwan independence. General Dunn said he understood China's views on this issue and pointed out that the U.S. Government had played an active role with the leadership in Taiwan to support and preserve stability.

#### China's Military Spending

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¶5. (C) General Liang cited outside interest in China's increases in defense spending, which he noted would rise to USD 35.1 billion in 2006. Outside reaction has been negative because outsiders have a poor understanding of China and because some people want to use this as an opportunity to promote a "China Threat" theory, he asserted. Liang claimed that increases in salaries for officers, enlisted and pensions for retirees were a heavy burden for China's 2.3 million military forces. Current officers' salaries are lower than those for civil servants in China's underdeveloped West. The Central Government is supportive of the PLA, Liang said, and has agreed to increase military salaries. Nonetheless, if salaries increase only 1000 RMB per person per year (USD 125), the PLA needs a RMB 30 billion (USD 3.75 billion) increase.

¶6. (C) A second reason for increased spending is the need for training to develop better personnel, Liang stated. Although China has 60 military academies and institutes, most are poorly equipped. Average annual training costs per PLA member are currently far too low, he said. Increases in prices, particularly the world price of oil, constitutes another reason for military budget increases, Liang continued. With its large number of vehicles and other equipment, the PLA consumes considerable amounts of fuel.

¶7. (C) Liang listed the fourth reason for the spending increase as the need for the PLA to modernize its equipment, particularly in information systems. Assuring the development of China's economy will require more investment in the military. The increases are limited, Liang maintained, and pose no threat to other countries. The present objective is constructing a more technologically advanced (Note: Liang's term was translated as "informationalized") military that can win a high-tech ("informationalized") war.

¶8. (C) General Dunn pointed out that China's military budget has increased by 3.5 times in the last 8 years. Countries regard other countries' military spending as a barometer of their intentions. In this sense it is difficult to explain a sustained increase of 10-15 percent over a fifteen-year period, which is China's increase. Couple increased defense spending with increased economic power and influence and people will become suspicious unless the trend is clearly and adequately explained. The burden therefore falls to China to explain to others how the increases are being used. U.S. political leaders are also interested in learning when the increases are projected to slow down and what they can expect to see in the future, he noted. Liang reiterated that overall modernization of the PLA is China's aim and maintained that despite spending increases, the PLA lags far behind other modern militaries.